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T NEIGHBORHOOD
TRUST
FINANCIAL
PARTNERS

Audited Financial Statements

December 31, 2015



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Neighborhood Trust Financial Partners, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Neighborhood Trust Financial Partners, Inc. ("NTFP"), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

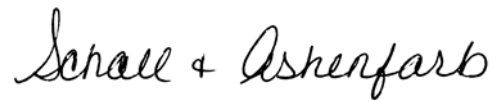
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NTFP as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited NTFP's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 28, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Schall & Ashenfarb
Certified Public Accountants, LLC

April 12, 2016

NEIGHBORHOOD TRUST FINANCIAL PARTNERS, INC.
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2015
(With comparative totals at December 31, 2014)

	<u>12/31/15</u>	<u>12/31/14</u>
Assets		
Cash and cash equivalents	\$2,032,222	\$1,613,511
Investments (Note 3)	19,026	18,492
Pledges receivable (Note 4)	2,442,407	1,386,222
Accounts receivable	440,149	429,666
Prepaid expenses	89,540	72,392
Fixed assets, net (Note 5)	1,560,775	1,629,330
Security deposit	<u>78,000</u>	<u>78,000</u>
 Total assets	 <u><u>\$6,662,119</u></u>	 <u><u>\$5,227,613</u></u>
 Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$214,169	\$105,385
Deferred rent	197,776	162,159
Deferred revenue	113,175	110,175
Total liabilities	<u>525,120</u>	<u>377,719</u>
Net assets:		
Unrestricted	3,045,551	3,531,545
Board designated reserve fund	<u>25,000</u>	<u>25,000</u>
Total unrestricted net assets	3,070,551	3,556,545
Temporarily restricted (Note 6)	<u>3,066,448</u>	<u>1,293,349</u>
Total net assets	<u>6,136,999</u>	<u>4,849,894</u>
 Total liabilities and net assets	 <u><u>\$6,662,119</u></u>	 <u><u>\$5,227,613</u></u>

The attached notes and auditors' report are an integral part of these financial statements.

NEIGHBORHOOD TRUST FINANCIAL PARTNERS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015
(With comparative totals for the year ended December 31, 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 12/31/15</u>	<u>Total 12/31/14</u>
Public support and revenue:				
Contributions	\$1,993,356	\$3,111,000	\$5,104,356	\$3,506,255
Fees	1,081,190		1,081,190	981,883
Investment income	1,071		1,071	3,395
Net assets released from restrictions	<u>1,337,901</u>	<u>(1,337,901)</u>	<u>0</u>	<u>0</u>
 Total public support and revenue	 <u>4,413,518</u>	 <u>1,773,099</u>	 <u>6,186,617</u>	 <u>4,491,533</u>
 Expenses:				
Program services	<u>4,069,289</u>		<u>4,069,289</u>	<u>3,418,704</u>
Supporting services:				
Management and general	499,913		499,913	401,280
Fundraising	<u>330,310</u>		<u>330,310</u>	<u>410,588</u>
Total supporting services	<u>830,223</u>	<u>0</u>	<u>830,223</u>	<u>811,868</u>
 Total expenses	 <u>4,899,512</u>	 <u>0</u>	 <u>4,899,512</u>	 <u>4,230,572</u>
 Change in net assets	 (485,994)	 1,773,099	 1,287,105	 260,961
 Net assets - beginning of year	 <u>3,556,545</u>	 <u>1,293,349</u>	 <u>4,849,894</u>	 <u>4,588,933</u>
 Net assets - end of year	 <u><u>\$3,070,551</u></u>	 <u><u>\$3,066,448</u></u>	 <u><u>\$6,136,999</u></u>	 <u><u>\$4,849,894</u></u>

The attached notes and auditors' report are an integral part of these financial statements.

NEIGHBORHOOD TRUST FINANCIAL PARTNERS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015
(With comparative totals for the year ended December 31, 2014)

	Supporting Services			Total Supporting Services	Total Expenses 12/31/15	Total Expenses 12/31/14
	Program Services	Management and General	Fundraising			
Salaries	\$2,329,904	\$253,664	\$231,867	\$485,531	\$2,815,435	\$2,434,555
Payroll taxes and benefits	440,404	76,643	43,467	120,110	560,514	483,121
Occupancy	429,955	26,859	19,880	46,739	476,694	468,557
Contributions to credit union (Note 7)	120,628			0	120,628	95,652
Telephone	25,249	1,885	673	2,558	27,807	24,051
Bank charges	475	5,458		5,458	5,933	2,186
Office supplies	9,722	4,543	982	5,525	15,247	16,912
Printing	30,818	191	476	667	31,485	47,929
Professional fees	159,647	92,465	17,693	110,158	269,805	385,633
Credit reports	29,789			0	29,789	27,917
Insurance	13,802	3,472	1,130	4,602	18,404	18,408
Equipment and repairs	260,842	2,732	1,277	4,009	264,851	15,023
Mailing	5,045	593	302	895	5,940	5,393
Conferences and staff training	45,491	2,518	2,322	4,840	50,331	33,746
Staff recruiting	26,510	14,428	193	14,621	41,131	9,800
Miscellaneous	18,167	2,146		2,146	20,313	16,402
Total expenses before depreciation and amortization	3,946,448	487,597	320,262	807,859	4,754,307	4,085,285
Depreciation and amortization	122,841	12,316	10,048	22,364	145,205	145,287
Total	\$4,069,289	\$499,913	\$330,310	\$830,223	\$4,899,512	\$4,230,572

The attached notes and auditors' report are an integral part of these financial statements.

NEIGHBORHOOD TRUST FINANCIAL PARTNERS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
(With comparative totals for the year ended December 31, 2014)

	<u>12/31/15</u>	<u>12/31/14</u>
Cash flows from operating activities:		
Change in net assets	\$1,287,105	\$260,961
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	145,205	145,287
Changes in assets and liabilities:		
Pledges receivable	(1,056,185)	(399,999)
Accounts receivable	(10,483)	(15,532)
Prepaid expenses	(17,148)	(32,547)
Security deposit	0	8,233
Accounts payable and accrued expenses	108,784	2,852
Deferred rent	35,617	42,121
Deferred revenue	3,000	110,175
Total adjustments	<u>(791,210)</u>	<u>(139,410)</u>
Net cash flows provided by operating activities	<u>495,895</u>	<u>121,551</u>
 Cash flows from investing activities:		
Outlays for fixed assets	(76,650)	(5,437)
Net investment income reinvested	<u>(534)</u>	<u>(441)</u>
Net cash flows used for investing activities	<u>(77,184)</u>	<u>(5,878)</u>
 Cash flows from financing activities:		
Proceeds from line of credit	600,000	0
Repayments of line of credit	<u>(600,000)</u>	<u>0</u>
Net cash provided by financing activities	<u>0</u>	<u>0</u>
 Net increase in cash and cash equivalents	418,711	115,673
 Cash and cash equivalents - beginning of year	<u>1,613,511</u>	<u>1,497,838</u>
 Cash and cash equivalents - end of year	<u><u>\$2,032,222</u></u>	<u><u>\$1,613,511</u></u>
 Supplemental disclosure of cash flow information:		
Interest paid	<u>\$3,260</u>	<u>\$0</u>
Taxes paid	<u>\$0</u>	<u>\$0</u>

The attached notes and auditors' report are an integral part of these financial statements.

NEIGHBORHOOD TRUST FINANCIAL PARTNERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 1 - Organization and Purpose

Neighborhood Trust Financial Partners, Inc. (“NTFP”) is a not-for-profit organization incorporated in New York on June 13, 1995. Its mission is to empower low-income individuals to become productive participants in the U.S. financial system and achieve their financial goals. It strives to achieve this mission through the creation and support of the Neighborhood Trust Federal Credit Union and the operation of financial educational programs. NTFP’s primary sources of revenue are contributions and fees.

On November 21, 2011, Credit Where Credit Is Due, Inc. changed its name to Neighborhood Trust Financial Partners, Inc.

Note 2 - Summary of Significant Accounting Policies

a. Tax Status

NTFP is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and is not a private foundation within the meaning of Section 509(a) of the code.

b. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting which is the process of recognizing revenue and expenses when earned or incurred rather than when received or paid.

c. Basis of Presentation

NTFP reports information regarding its financial position and activities according to the following classes of net assets:

- *Unrestricted* – represents all activity that has not been restricted by donors or applicable law.
- *Temporarily restricted* – represents donor restricted contributions whose restrictions have not been met at year-end, but whose restrictions are anticipated to be met in the future.
- *Permanently restricted* – accounts for activity restricted by donors that must remain intact in perpetuity. NTFP did not have any activity of this type.

d. Cash and Cash Equivalents

NTFP considers all liquid investments with a maturity of three months or less to be cash and cash equivalents.

- e. Concentration of Credit Risk
Financial instruments which potentially subject NTFP to concentration of credit risk consist of cash, money market accounts and investment securities which have been placed with financial institutions that management deems to be creditworthy. At year-end and at certain times during the year, NTFP had material uninsured balances; however, they have not suffered any losses due to the failure of any of these institutions.
- f. Investments
Investments are carried at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses are reflected in the statement of activities as investment income. (See Note 3 for additional information.)
- g. Contributions
NTFP reports contributions at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. However, when a restriction is met in the same period the contribution is received, it is recorded as unrestricted.
- h. Pledges Receivable
Unconditional promises to give are recorded at net realizable value if expected to be received in one year or at fair value using a risk adjusted discount rate if expected to be received after one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Pledges are reviewed for collectability. Management has not established a reserve for uncollectable pledges as they deem all pledges to be collectible.
- i. Accounts Receivable and Fee Income
Fee income is recognized as services are performed. Fees that have not been collected at year-end are reflected as accounts receivable. Amounts collected in advance are treated as deferred revenue.
- j. Fixed Assets
Fixed assets to which NTFP retains title to and that benefit future periods are capitalized at cost, or if donated, at the estimated fair value at the time of donation. Depreciation and amortization is taken using the straight-line method over the useful life of the asset or terms of the lease as noted below:

Leasehold improvements - *15 years*
Computers and software - *5 years*
Furniture and equipment - *5 years*
- k. Deferred Rent
Rent expense is recorded evenly on the straight-line basis over the life of the lease. Rent expense recognized in excess of cash payments is reflected as deferred rent. As future payments exceed the annual expense recognized, deferred rent will be reduced to zero by the end of the lease term.

- l. Deferred Revenue
Amounts received for fees on contracts that have not been earned as of year-end are recorded as deferred revenue and are recognized as income in the period in which the fees are earned.
- m. Accrued Compensation Absences
NTFP has not accrued for vacation earned but not yet taken because the amounts have not been determined. The amount is not considered material.
- n. Management Estimates
The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.
- o. Expense Allocation
The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of NTFP.
- p. Comparative Financial Information
The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with NTFP's financial statements for the year ended December 31, 2014, from which the summarized information was derived.
- q. Accounting for Uncertainty of Income Taxes
NTFP does not believe its financial statements include any uncertain tax positions. Tax filings for periods ending December 31, 2012 and later are subject to examination by applicable taxing authorities.
- r. Subsequent Events
Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through April 12, 2016, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through our evaluation date that would require adjustment to or disclosure in the financial statements.

Note 3 - Investments

At December 31, 2015 and 2014, NTFP invested in a loan fund held by FJC, A Foundation of Philanthropic Funds. Accounting standards establishes a fair market hierarchy giving the highest priority to quoted market prices in active markets and the lowest priority to unobservable data. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that NTFP has the ability to access.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The investments above have been valued based on Level 3 of the above hierarchy.

Changes to Level 3 investments are as follows:

	<u>2015</u>	<u>2014</u>
Beginning balance	\$18,492	\$18,051
Interest income	722	623
Bank service fees	<u>(188)</u>	<u>(182)</u>
Ending balance	<u>\$19,026</u>	<u>\$18,492</u>

Note 4 - Pledges Receivable

Pledges receivable are due as follows:

Year ending: December 31, 2016	\$1,976,907
December 31, 2017	470,000
December 31, 2018	<u>20,000</u>
	2,466,907
Less: risk adjusted discount	<u>(24,500)</u>
Pledges receivable, net	<u>\$2,442,407</u>

Note 5 - Fixed Assets

Property and equipment consist of the following:

	<u>2015</u>	<u>2014</u>
Leasehold improvements*	\$1,930,764	\$1,930,764
Computers and software	154,679	78,029
Furniture and equipment	<u>169,905</u>	<u>169,905</u>
	2,255,348	2,178,698
Less: accumulated depreciation	<u>(694,573)</u>	<u>(549,368)</u>
Total	<u>\$1,560,775</u>	<u>\$1,629,330</u>

*See Note 8

Note 6 - Temporarily Restricted Net Assets

Activity in the temporarily restricted class of net assets can be summarized as follows:

	<u>1/1/15</u>	<u>Contributions</u>	Released From <u>Restriction</u>	<u>12/31/15</u>
PayGoal	\$115,000	\$0	(\$115,000)	\$0
Employer Solution	118,849	3,062,500	(742,901)	2,438,448
Getting Ahead	60,000	0	(60,000)	0
Digital Financial Action Plan	0	30,000	0	30,000
Technology	<u>50,000</u>	<u>0</u>	<u>(50,000)</u>	<u>0</u>
Total program	343,849	3,092,500	(967,901)	2,468,448
Time	<u>949,500</u>	<u>18,500</u>	<u>(370,000)</u>	<u>598,000</u>
Total	<u>\$1,293,349</u>	<u>\$3,111,000</u>	<u>(\$1,337,901)</u>	<u>\$3,066,448</u>

	<u>1/1/14</u>	<u>Contributions</u>	Released From <u>Restriction</u>	<u>12/31/14</u>
PayGoal	\$113,388	\$115,000	(\$113,388)	\$115,000
Employer Solution	68,750	230,000	(179,901)	118,849
Getting Ahead	0	120,000	(60,000)	60,000
Trust Card	243,058	0	(243,058)	0
COO position recruitment	72,430	0	(72,430)	0
Technology	<u>0</u>	<u>50,000</u>	<u>0</u>	<u>50,000</u>
Total program	497,626	515,000	(668,777)	343,849
Time	<u>360,000</u>	<u>949,500</u>	<u>(360,000)</u>	<u>949,500</u>
Total	<u>\$857,626</u>	<u>\$1,464,500</u>	<u>(\$1,028,777)</u>	<u>\$1,293,349</u>

Note 7 - Related Party Transactions

As noted in Note 1, NTFP has a mission to support the Neighborhood Trust Federal Credit Union ("NTFCU"). The chief executive officer of NTFP is also on the board of directors of NTFCU. NTFP provided contributions of \$120,628 and \$95,652 to help support NTFCU's operations during the years ended December 31, 2015 and 2014, respectively. Additionally, NTFP provided space to NTFCU at no charge.

NTFCU held deposits of \$625,514 and \$884,504 at December 31, 2015 and 2014, respectively, which have been included in cash and cash equivalents on the statement of financial position.

Note 8 - Commitments and Contingencies

- a. NTFP has a lease for office space that expires on January 24, 2026. The future minimum rental requirements are as follows:

Year ending:	December 31, 2016	\$338,256
	December 31, 2017	345,024
	December 31, 2018	351,924
	December 31, 2019	358,968
	December 31, 2020	366,144
	Thereafter	<u>2,477,196</u>
		<u>\$4,237,512</u>

- b. During August 2015, NTFP established a variable rate, revolving line of credit. The borrowing limit is equal to the loan value of certain pledged collateral, which was \$952,814 at year-end. There was no outstanding balance at December 31, 2015 and the full line was available.

Note 9 - Employee Benefits

NTFP sponsors a tax deferred annuity plan under 403(b) of the Internal Revenue Code. All full-time employees are eligible to participate starting their first day of employment. The employees may designate a percentage of their salaries to be contributed to the plan. On an annual basis, NTFP can elect to make discretionary contributions to the plan. Contributions to the plan by NTFP were \$16,126 and \$12,500 as of December 31, 2015 and 2014, respectively.